ANNUAL REPORT 2008

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO /
CONSEIL DES EXPERTS-COMPTABLES DE LA PROVINCE DE L'ONTARIO

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ABOUT THE COUNCIL

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the *Public Accounting Act, 2004*.

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

Public accounting is the business of expressing independent assurance and certain other services in respect of financial statements and other financial information of enterprises where it can reasonably be expected that the services will be relied upon or used by a third party.

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the *Public Accounting Act, 2004*.

The Designated Bodies named in the *Public Accounting Act, 2004* are the:

- Certified General Accountants Association of Ontario (CGA Ontario)
- Institute of Chartered Accountants of Ontario (ICAO)
- Society of Management Accountants of Ontario (CMA Ontario)

Upon the Council being satisfied that a Designated Body meets the Council's standards, the Council may provide written authorization to the Designated Body to license and govern its members as public accountants. A Designated Body that has received such authorization is an Authorized Designated Body.

At January 27, 2009, being the date of issuance of this Annual Report, the only Authorized Designated Body is the Institute of Chartered Accountants of Ontario.

THE COUNCIL STANDARDS

The Council's Standards were finalized and adopted on June 20, 2006 and are published on the Council's website at www.pacont.org. The Council's Standards require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

- education, examination and practical experience requirements;
- rules of professional conduct, mandatory practice inspections of public accountants, the use of generally accepted accounting principles and generally accepted auditing and assurance standards, discipline procedures, the issuing of new licences to former licensees, the issuing of licences to persons who are permitted to practise in other jurisdictions, and mandatory professional liability insurance; and
- governance standards respecting the licensing and governing the activities of its members as public accountants.

The Council has adopted Council Guidelines dealing with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach. Council Guidelines are published on the Council's website.

KEY ACTIVITIES OF THE COUNCIL

Key activities of the Council during its 2008 fiscal year included:

Oversight of the Assessment of Substantial Equivalence

The Council continued to monitor the progress of the independent evaluators (the Evaluation Team) retained by the Council to assess the substantial equivalence of the public accounting standards of the Designated Bodies. In this respect:

CGA Ontario

The Evaluation Team delivered to the Council its *Interim Report on the Assessment of Substantial Equivalence: CGAO* dated November 10, 2008 (Interim CGA Ontario Report) on the assessment of whether the standards of CGA Ontario for students or members who seek to be licensed by CGA Ontario as public accountants (the CGA Ontario Public Accounting Standards) meet the standards developed and adopted by the Council pursuant to section 19 of the *Public Accounting Act, 2004* as the minimum standards that a Designated Body must meet in order for the Council to authorize such body to license and govern the activities of such members as public accountants (the Council Standards).

The Interim CGA Ontario Report reflects the status of the CGA Ontario Public Accounting Standards as at September 16, 2008 and the Evaluation Team's assessment thereof. Based upon its assessment, the Evaluation Team is of the opinion that as at September 16, 2008, the CGA Ontario Public Accounting Standards are not substantially equivalent to the Council Standards.

In this respect, the Evaluation Team has identified remedial actions which, if taken by CGA Ontario, should result in the CGA Ontario Public Accounting Standards being found by the Evaluation Team to be substantially equivalent to the Council Standards and to provably develop a public accountant with the competencies that are comparable to a public accountant produced by the benchmark program underlying the Council Standards. The remedial action identified by the Evaluation Team includes certain course modifications, the development of certain new courses, modification of existing course exams and procedures, and the development of two new exams.

CGA Ontario has advised the Council that it is in the process of implementing the necessary remedial action. The Evaluation Team will complete its assessment of substantial equivalence following the implementation of this remedial action.

CMA Ontario

The Evaluation Team has commenced a preliminary review of the CMA Ontario program for students or members of CMA Ontario who seek to be licensed by CMA Ontario as public accountants. Although a preliminary work plan has been developed, certain of the components of the CMA Ontario program are not fully ready for the assessment process to begin.

ICAO

The Evaluation Team delivered to the Council its *Final Report on the Assessment of Substantial Equivalence: ICAO* dated December 8, 2008 (Final ICAO Report) confirming that on the basis of

its assessment, the ICAO standards for students or members who seek to be licensed by the ICAO as public accountants are substantially equivalent to the Council Standards and can provably develop a public accountant with the competencies that are comparable to a public accountant produced by the benchmark program underlying the Council Standards.

Development of Council Policies and Guidelines

The Council developed procedures for conducting reviews pursuant to s. 22 of the *Public Accounting Act, 2004* of complaints about the conduct of licensed public accountants. These procedures are set forth in Council Guideline No. 2008-5 which was adopted by the Council on May 27, 2008.

The Council also updated its practices and procedures for dealing with the prosecution of offences under the *Public Accounting Act, 2004*.

In addition, the Council developed operating procedures designed to maintain the ongoing compliance by Authorized Designated Bodies with the Council Standards and Guidelines.

Complaints

Prosecutions

The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the *Public Accounting Act, 2004*.

In this respect, the Council receives complaints about individuals who may be providing public accounting services without a licence. These complaints are investigated and followed up individually for action. The complaints range from non-licensed individuals advertising their services under captions for public accounting to non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected there will be third party reliance on these reports. The majority of these situations are dealt with by having the individual sign a voluntary undertaking to cease the offending activity. There have also been complaints about persons purporting to be licensed public accountants that involve allegations of fraudulent activity against financial institutions where the challenge is to locate the responsible person(s).

During 2008, the Council received four complaints of which two were resolved by the receipt of voluntary undertakings. The review of the remaining two complaints is in process. In addition, one prosecution was initiated against a non-licensed individual alleged to have participated as a public accountant in a fraudulent transaction. The legal proceedings with respect to this matter are ongoing.

Section 22 Reviews

A member of the public who is not satisfied with the manner in which their complaint about the conduct of a Licensed Public Accountant was handled by the licensing Authorized Designated Body, may request the Council to review the licensing body's handling of the complaint. The member of the public must first have made a complaint to the licensing body and exhausted the internal procedures of the licensing body for the handling of the complaint, including the licensing body's independent review mechanisms.

The Council's ability to address a complaint made pursuant to s. 22 of the *Public Accounting Act, 2004* is limited to recommending whether or not to refer the complaint back to the licensing body to investigate the complaint more fully. The Council's ability to review does not extend to decisions of the licensing body's disciplinary or appeal committees.

During 2008, the Council received four requests for s. 22 reviews. In each of these cases, following review, the Council determined not to refer the complaint back to the licensing body to investigate more fully.

Impact on Public Accounting of Amendments to the Agreement on Internal Trade

The Council was invited to, and has participated in Province of Ontario orientation sessions relating to amendments to Chapter 7 (Labour Mobility) of the Agreement on Internal Trade. The Council's focus has been on the impact these amendments will have on the Council Standards and the ongoing ability of the Council to carry out its public interest mandate.

Unless the Province of Ontario exempts public accounting from the requirements of Chapter 7, the ability of the Council to continue to maintain its Standards for public accounting and to exercise oversight over the licensing and governance of public accountants by the Authorized Designated Bodies will be seriously impaired.

The Province of Ontario has advised the self-regulating professions and the Council that if they seek to maintain additional certification requirements as a condition for certification of workers certified in another province or territory, they must respectively file a proposal for an exemption supported by a business case. The Council intends to file a proposal.

In this respect, the Council believes the business case for an exemption is supported by, among other things, the fact that the Council Standards currently provide for mobility of qualified public accountants who satisfy the capability and competency requirements of the Council Standards and of its Authorized Designated Bodies and who are subject to oversight by one of its Authorized Designated Bodies.

Council Website

During 2008, the Council added to the content on its website and created an internal website for Council Members.

Succession Planning

In order to provide for an orderly succession of the Council Members whose terms of office expired in 2008, the Council, with the cooperation of the Designated Bodies, developed a Profile for Council Members and a Competency and Diversity Matrix to assist in identifying potential Council Members. In addition, the Council identified potential new Council Members with complementary skills to the skills reflected in the Competency and Diversity Matrix.

The Council has shared its Council Member Profile and Competency and Diversity Matrix with the Attorney General for the Province of Ontario. In addition, the Council has discussed with the Attorney General for the Province of Ontario and members of his staff the need for the Lieutenant Governor in Council to fill on a timely basis the vacancies on the Council that it is required to fill.

GOVERNANCE

Composition of the Council

The Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council*
- Two Members appointed by the Certified General Accountants Association of Ontario
- Four Members appointed by the Institute of Chartered Accountants of Ontario
- Two Members appointed by the Society of Management Accountants of Ontario

* At January 27, 2009, being the date of issuance of this Annual Report, there are three vacancies in the number of Members required to be appointed by the Lieutenant Governor in Council.

Each Member of the Council holds office for a term of up to three years from the date of his or her appointment and may be reappointed for up to four additional terms.

The Chair and the Vice Chair of the Council are appointed by the Lieutenant Governor in Council for an initial term of two years from the date of their appointment. The Chair and Vice Chair may be reappointed for an additional term.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice Chair, is prescribed by the Lieutenant Governor in Council in Regulations made under the *Public Accounting Act, 2004*.

Members of the Council, with the exception of the Chair and the Vice-Chair, are compensated in accordance with the following framework:

- Meeting Attendance Fee: $700 per meeting ($350 for meetings under three hours)
- Preparation Time: $700 per meeting ($350 for meetings under three hours)
- Travel Time: $100 per hour**

The compensation of the Chair is $250,000 per annum.

The compensation of the Vice Chair is $1,000 per meeting attended ($500 for meetings under three hours) and $1,000 for preparation time per meeting ($500 for meetings under three hours).

All Council Members, including the Chair and the Vice Chair, are reimbursed for related travel and out-of-pocket expenses.

** Payable to Members of the Council (other than the Chair) who are required to travel beyond 40 kilometers (one-way) to attend a meeting.

Performance Reviews

The Council has instituted a process for periodically reviewing the performance of the Council, the Committees of the Council, the Chair, the Members of the Council and the Chief Executive Officer of the Council. In 2008, the Council completed its first Performance Reviews and is currently engaged in conducting its second set of Performance Reviews.

Number of Council and Committee Meetings held during the 12 months ended October 31, 2008

The following is the number of Council and Committee meetings held during the 12 month period ended October 31, 2008:

Council	4
Audit Committee	2
Governance Committee	1

Summary of Attendance at Council and Committee Meetings held during the 12 months ended October 31, 2008

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2008:

Member	Council Meetings Attended	Committee Meetings Attended
Jalynn Bennett	4 of 4	0 of 1
Alex Browning	4 of 4	-
Ron Colucci	3 of 4	2 of 2
John Crow	4 of 4	2 of 2
J. Stefan Dupré	4 of 4	-
Lili-Ann Foster	4 of 4	1 of 1
Colleen Gibb	4 of 4	-
David Hipgrave	4 of 4	1 of 1
Vern Krishna	4 of 4	-
James Maloney	3 of 4	-
Vinay Mehta	4 of 4	1 of 1
Ralph Neville	3 of 4	-
Erik Peters	3 of 4	1 of 1
Maureen Sabia	3 of 4	2 of 2
Glorianne Stromberg	4 of 4	3 of 3
Michael Walke	2 of 4	1 of 1

COUNCIL MEMBERS

Members Appointed by the Lieutenant Governor in Council

NAME	Term Expires
James C. Baillie Of Counsel, Torys LLP Initial Chair of the Audit and Assurance Oversight Council (Toronto, Ontario)	**December 2, 2010**
John Crow Corporate Director Former Governor of the Bank of Canada (Toronto, Ontario)	**October 31, 2009**
Lili-Ann Foster President and CEO of Renaud Foster Management Consultants (Ottawa, Ontario)	**October 24, 2009**
Shoba Khetrapal Corporate Director (Toronto, Ontario)	**December 2, 2010**
Maureen Sabia Vice-Chair of the Council Chair, Canadian Tire Corporation, Limited (Toronto, Ontario)	**October 31, 2010**
Glorianne Stromberg Chair of the Council and Secretary (Toronto, Ontario)	**August 21, 2009**

Members Appointed by the Certified General Accountants Association of Ontario

Name	Term Expires
Ron Colucci, FCGA Operates an accounting, income tax and business advisory practice (Mississauga, Ontario)	**October 31, 2009**
John Nazzarro, CGA Partner in the Firm of Nazzarro Clark, Certified General Accountants (Concord, Ontario)	**October 31, 2009**

Members Appointed by the Institute of Chartered Accountants of Ontario

Name	Term Expires
Colleen E. Gibb, FCA, CFE Partner in the Firm of Gibb Widdis, Chartered Accountants (Ancaster, Ontario)	**October 31, 2009**
Ralph T. Neville, FCA Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	**October 31, 2009**
Erik Peters, FCA Retired Auditor-General of Ontario Member of the Auditing and Assurance Standards Oversight Council (Ottawa, Ontario)	**October 31, 2009**
Michael Walke, CA Audit and Assurance Partner, PricewaterhouseCoopers LLP (Toronto, Ontario)	**October 31, 2009**

Members Appointed by the Society of Management Accountants of Ontario

Name	Term Expires
David J. Hipgrave, FCMA Consultant; Formerly President & CEO of the Society of Management Accountants of Ontario (Mississauga, Ontario)	**July 31, 2010**
Nigel Jacobs, FCMA Chief Executive Officer of Taylor Leibow LLP, Chartered Accountants (Hamilton, Ontario)	**October 31, 2009**

COUNCIL COMMITTEES

Audit Committee

Members: Maureen Sabia (Chair)*
James C. Baillie (Chair) **
John Crow
Shoba Khetrapal
Erik Peters

* Retired January 27, 2009 after being appointed Vice Chair of the Council

** Appointed January 27, 2009

The Chair of the Council, Glorianne Stromberg, is a permanent invited guest at all meetings of the Audit Committee.

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management processes, systems of internal controls and compliance with applicable laws and regulations. The Audit Committee is chaired by a Member appointed by the Lieutenant Governor in Council and a majority of its Members are appointees of the Lieutenant Governor in Council.

Governance Committee

Members: Lili-Ann Foster (Chair)
Jalynn Bennett*
Ron Colucci
David Hipgrave
Maureen Sabia**
Glorianne Stromberg
Michael Walke

* Ceased to be a Member October 31, 2008 on the expiration of her term of office

** Appointed January 27, 2009

The Governance Committee's responsibilities include recommendations for committee structure and membership and Council assessments.

The Members of the Governance Committee include a nominee of each of the Certified General Accountants Association of Ontario, the Institute of Chartered Accountants of Ontario, and the Society of Management Accountants of Ontario as well as three nominees of the Lieutenant Governor in Council, one of whom acts as the Chair of the Governance Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2008. It is intended to assist readers in understanding the operations of the Council. This should be read along with the accompanying financial statements.

The Council is a corporation without share capital that was continued under the *Public Accounting Act, 2004*. The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

Operations

The net operating costs of the Council are funded by the three Designated Bodies. Annual assessment fees are set based on the estimated net operating expenses of the Council adjusted for an amount to continue building the net assets to cover approximately six months' operating expenses. These assessment fees amounted to $1,050,000 in 2008 ($1,223,500 in 2007).

In addition to the annual assessment fees, Council Standards Assessments costs of $902,562 ($856,179 in 2007), which were incurred in the process of determining whether the standards of the respective Designated Bodies are substantially equivalent to those of the Council, are billed and recoverable from the Designated Bodies.

The other source of revenue is Interest Income earned from temporary investments amounting to $55,950 in 2008 ($55,350 in 2007).

The main expenses relating to the other operations of the Council are salaries and benefits totalling $606,901 ($624,798 in 2007), and Council Fees, Travel and Meetings totalling $66,542 ($143,863 in 2007). These costs have decreased due to a reduction in the number of Council and Committee Meetings held in 2008.

Costs for Legal and Other Costs of Hearings and Prosecutions increased to $56,516 from $8,193 in 2007. These increased costs were due to the prosecution of a non-licensed individual alleged to have participated as a public accountant in a fraudulent transaction. Other costs incurred for non-recoverable standards-related matters, rent, and general administrative matters were similar to 2007. Total expenses, excluding the recoverable standards assessment expenses, decreased to $1,051,329 in 2008 from $1,262,179 in 2007.

Cash Flow and Liquidity

The Council's Cash Flow From Operations decreased by $181,867 in 2008 (increased by $908,114 in 2007). The change in Cash Flow From Operations resulted primarily from the change in the amount due to the Designated Bodies during the respective years. As at year-end, the Council had $1,388,180 ($1,586,348 in 2007) in cash and investments. The Council's established policy is to maintain minimum net assets approximating 50% of estimated annual net operating expenses.

During 2008, the Council invested the majority of its excess funds in a Government of Canada bond due September, 2010. The Council invests in interest bearing debt obligations of or guaranteed by the Government of Canada or of or guaranteed by a Province of Canada or a Canadian chartered bank that meet certain eligibility criteria.

Financial Outlook

The Council has approved an operating budget of $1,620,000 for the 2009 fiscal year compared with an operating budget that was set at $1,700,000 for 2008. The majority of expenses are forecast to be similar to those incurred in 2008. The costs for Council meetings and Hearings and Prosecutions are subject to the activity required for each of these respective activities. It is expected that Standards costs will increase in connection with the development of policies and procedures for the oversight of the Authorized Designated Bodies and for carrying out a review of the sufficiency of the requirements of the Council Handbook.

STATEMENT OF MANAGEMENT RESPONSIBILTY

The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the management of The Public Accountants Council for the Province of Ontario. Management has prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP), applying best estimates and judgments based on currently available information. The significant accounting policies are described in note 2 to the financial statements.

Financial information contained in this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. In addition, these systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Members of the Council are responsible for ensuring that management fulfills its responsibilities including those for financial reporting and internal control. The Council has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditors, both with and without management present, to review the activities of each, as well as to review the financial statements.

Tinkham & Associates LLP have been appointed by the Council as auditors to express their opinion on the fair presentation of the financial statements. They have had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to their audit. The Audit Committee reviews the auditors' performance annually and makes a recommendation to the Members of the Council with respect to their reappointment for the coming year.

"Keith Bowman"

Keith Bowman
Chief Executive Officer

"Glorianne Stromberg"

Glorianne Stromberg
Chair

FINANCIAL STATEMENTS

Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

October 31, 2008

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To **The Public Accountants Council for the Province of Ontario**

We have audited the balance sheet of The Public Accountants Council for the Province of Ontario as at October 31, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at October 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

TORONTO, Ontario

November 26, 2008

Tinkham & Associates LLP
Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31	2008	2007
Assets		
Current		
Cash	$ 347,105	$ 81,304
Short term investments (note 3)	-	1,505,044
Prepaid expenses	5,095	10,384
	352,200	1,596,732
Investment (note 3)	1,041,075	-
Capital (note 4)	166,387	204,438
	$ 1,559,662	$ 1,801,170
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 273,937	$ 296,370
Due to Designated Bodies	353,809	627,505
	627,746	923,875
Net assets		
Invested in capital assets	166,387	204,438
Unrestricted	765,529	672,857
	931,916	877,295
	$ 1,559,662	$ 1,801,170

Commitment (note 5)

See accompanying notes to financial statements.

On behalf of the Council:

Signed: "Glorianne Stromberg"
Glorianne Stromberg

Signed: "Maureen Sabia"
Maureen Sabia

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Operations

Year ended October 31	2008	2007
Revenues		
Designated Bodies assessment fees	**$ 1,050,000**	$ 1,223,500
Recovery of Standards assessment expenses	**902,562**	856,179
Interest	**55,950**	55,350
Licence fees	**-**	10,836
	2,008,512	2,145,865
Expenses		
Standards assessments	**902,562**	856,179
Salaries and benefits	**606,901**	624,798
Rent	**119,546**	119,831
Office	**75,627**	131,569
Council fees, travel and meetings	**66,542**	143,863
Legal and other costs of hearings and prosecutions	**56,516**	8,193
Amortization	**54,352**	39,530
Standards	**24,463**	12,894
Legal advisory	**15,683**	65,907
Audit	**13,600**	14,992
Insurance	**12,208**	15,237
Consultants	**5,891**	85,365
	1,953,891	2,118,358
Excess of revenues over expenses for the year	**$ 54,621**	$ 27,507

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Statement of Changes in Net Assets

Year ended October 31	Invested in Capital Assets	Unrestricted	2008 Total	2007 Total
Net assets, beginning of year	**$ 204,438**	**$ 672,857**	**$ 877,295**	$ 849,788
Purchases of capital assets	**16,301**	**(16,301)**	**-**	-
Excess of revenues over expenses for the year	**(54,352)**	**108,973**	**54,621**	27,507
Net assets, end of year	**$ 166,387**	**$ 765,529**	**$ 931,916**	$ 877,295

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Cash Flows

Year ended October 31	2008	2007
Cash provided by (used for):		
Operating activities		
Excess of revenues over expenses for the year	**$ 54,621**	$ 27,507
Adjustments for items which do not affect cash		
Amortization	**54,352**	39,530
	108,973	67,037
Changes in non-cash working capital balances		
Due (to) from Designated Bodies	**(273,696)**	829,150
Net decrease (increase) in prepaid expenses	**5,289**	19,984
Net increase (decrease) in accounts payable	**(22,433)**	2,293
Net increase (decrease) in rebates payables to licensees	**-**	(10,350)
	(290,840)	841,077
Net cash provided (used for) operating activities	**(181,867)**	908,114
Investing activities		
(Purchases) sale of short term investments (net)	**1,505,044**	(873,845)
(Purchase) of investment	**(1,041,075)**	-
(Purchases) of capital assets	**(16,301)**	(42,706)
Increase (decrease) in cash	**265,801**	(8,437)
Cash, beginning of year	**81,304**	89,741
Cash, end of year	**$ 347,105**	$ 81,304

See accompanying notes to financial statements.

1 Purpose of the organization

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the Public Accounting Act, 2004 (the Act). The Act was proclaimed into force on November 1, 2005.The Council is exempt from income taxes.

The purpose of the Council is to ensure that public accounting in Ontario is practiced in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Council is responsible for:

Developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;

Determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;

Overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

The Designated Bodies are the Certified General Accountants of Ontario, the Institute of Chartered Accountants of Ontario and the Society of Management Accountants of Ontario. The Council's operations are funded by the Designated Bodies.

2 Accounting policies

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture, equipment and systems	- 10% and 25% annually
Leasehold improvements	- over the term of the lease

(b) Investments

Investments are recorded at fair value which is based on quoted market values.

(c) Revenue recognition

In accordance with section 33 of the Act, the Council prescribes the fees that are to be paid by the Designated Bodies to fund the operations of the Council. These fees are based on the Council's annual budgeted expenditures. The prescribed fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained independent consultants to assist it in determining whether the respective standards of the Designated Bodies are substantially equivalent to the Council's standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

(d) Financial instruments

Cash and investments are designated as available for sale and measured at fair value. Accounts payable and accrued liabilities, and due to Designated Bodies are classified as other financial liabilities and are measured at amortized cost.

2 Accounting policies continued

(e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 Investment

	2008	2007
Government of Canada bond, due September 1, 2010, 2.40% yield to maturity	**$ 1,031,010**	$ -
Guaranteed investment certificates, maturity dates ranging from May 29, 2008 to July 24, 2008, bearing interest rates of 4.10% and 4.20%	**-**	1,481,200
Accrued interest	**10,065**	23,844
	$ 1,041,075	$ 1,505,044

The guaranteed investment certificates were cashable without penalty. The Government of Canada bond is fully marketable and can be sold at market value at any time.

Council invests in interest bearing debt obligations of or guaranteed by the Government of Canada or guaranteed by a Canadian chartered bank. All investments are readily convertible into known amounts of cash. Council does not purchase investments for speculative purposes.

4 Capital assets

			2008
	Cost	**Accumulated Amortization**	**Net Book Value**
Furniture, equipment and systems	**$ 162,202**	**$ 70,024**	**$ 92,178**
Leasehold improvements	**117,172**	**42,963**	**74,209**
	$ 279,374	**$ 112,987**	**$ 166,387**

			2007
	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and systems	$ 145,901	$ 39,106	$ 106,795
Leasehold improvements	117,172	19,529	97,643
	$ 263,073	$ 58,635	$ 204,438

5 Lease commitment

Effective November 1, 2006, Council amended the terms of the lease to increase the space and extend the lease term to December 31, 2011. The minimum lease commitment plus the proportionate share of realty taxes and operating expenses for 2009 is estimated to be $125,000.

Minimum annual lease payments excluding the Council's share of realty taxes and operating expenses required in each of the next three fiscal years is as follows:

2009	$	46,956
2010		46,956
2011		7,826

6 Financial instruments

The Council's financial instruments consisting of cash, accounts payable and accrued liabilities and Due to Designated Bodies are all short term in nature and therefore the fair values of these financial instruments approximate their carrying value. The investment in government bond is denominated in Canadian dollars and has been recorded at fair value. Fair value is determined by reference to published price quotations in an active market. In Council's opinion there are no significant credit, market, interest rate or currency risks arising from its financial instruments.

CONTACT INFORMATION

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